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OCT 17 1984

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Gas Company for approval to transfer property to Continental Telephone Company pursuant to Public Utilities Code Section 851.

Application 84-08-079 (Filed August 22, 1984)

INTERIM OPINION

Statement of Facts

Southern California Gas Company (SoCalGas) is an operating public utility corporation organized and existing under the laws of the State of California. Principally engaged in the purchase, distribution, and sale of natural gas in Southern California, it owns natural gas transmission pipelines, compressor plants, distribution pipelines, services and appurtenant meters, regulators, metering and regulating stations, booster stations, office, shop and laboratory buildings, warehouses and other storage facilities, including underground storage reservoirs.

One of its pipelines is transmission line 85, and SoCalGas maintains a gas regulatory facility on that line at Lake Station in Kern County. In that area of California Continental Telephone Company of California (Contel) provides telephone service. To provide its gas regulating facility at Lake Station with a communications link into Contel's telephone system, in 1975 SoCalGas installed three pairs of 19 gauge underground telemetering cables, each approximately 11,000 feet in length. The original value of this undergrounded communications cable was \$6,709.78.¹

¹ The depreciated value as of June 30, 1984 was \$3,728.40.

It has since developed that SoCalGas does not have the equipment or the expertise to properly maintain this underground cable link and has had to rely upon Contel to service the station with Contel's terminal equipment on SoCalGas cable. Contel has a policy of not having another company's cable interposed between its cable and terminal equipment. Accordingly Contel has advised SoCalGas that unless the buried SoCalGas cable can be transferred to Contel, it could terminate service to SoCalGas' Lake Station. Contel has tested the cables and determined that they comply with Contel's transmission standards. SoCalGas concurs that it would be in the best interests of all concerned were Contel to own and operate this cable.

Accordingly the two parties have negotiated for a sale and transfer of the cables in place, without representations as to quality or fitness, and with no conveyance of an easement or other interest in real property. The consideration agreed upon is \$1. It is represented that no increase to SoCalGas' customers would occur as a result of this transfer.

By this application SoCalGas seeks Commission authorization ex parte under provisions of Public Utilities (PU) Code § 851 to sell and transfer the cable as proposed. Pursuant to Rule 35 of the Commission's Rules of Practice and Procedure Contel subscribes to the application. Notice of this application appeared in the Commission's Daily Calendar of August 27, 1984. No protest has been received.

Discussion

PU Code § 851 provides that no public utility other than a common carrier by railroad may sell the whole or any part of its system or property useful in the performance of its public duty without first obtaining authorization to do so from this Commission. In transfer proceedings the function of the Commission is to protect and safeguard the interests of the public. The concern is to prevent

the impairment of the public service by the transfer of utility property into the hands of anyone incapable of performing an adequate service at reasonable rates or upon terms which would bring about the same undesirable result (So. Cal. Mountain Water Co. (1912) 9 CRC 520).

Here there will be no impact upon rates. The value of the cables being transferred is minimal and of consequence only to the parties involved. Contel will accept clear cut full responsibility for them and possesses the equipment and ability to properly maintain this communications link. The integrity and unity of Contel's system will result in accord with the company's policy. SoCalGas will be relieved of responsibility for maintenance of a necessary accessory for accomplishing its business but one that is not within the mainstream of its interest, experience, or expertise. It will no longer have to maintain these cables. Thus the transfer will really benefit both parties. The end result is an enhanced operational posture for both. For these reasons our consideration is restricted and we defer to the operational and managerial expertise of the utilities involved, and rely upon the arm's-length nature of the transaction and the obviously beneficial end result to find the transaction to be in the public interest. Noting the circumscribed nature of the value of these buried lengths of telemetering cable, devoid as it is of any interest in real estate, franchises, permits, or operative rights, we accept the consideration being paid for it as being fair and just.

There does remain the fact that the consideration agreed upon between the parties results in a loss of \$3,727.40 from the recorded net book (or depreciated rate base valuation) of the asset being sold and transferred. In separate proceedings in Application (A.) 83-04-37 we are considering the issue of whether appreciations or losses in value from net book value resulting from transfers of assets should accrue to a utility's shareholders, or whether the utility's ratepayers should share in the result. Rather than delay approval of this beneficial transfer pending resolution of this issue, we will, by this interim decision, proceed reserving disposition and accounting of this \$3,727.40 loss from depreciated original cost until our resolution of the underlying issue in the A.83-04-37 proceeding.

There being no opposition to this application, and the application in and of itself containing all the information necessary to process it, there would be no useful purpose served by holding a hearing or by delay in accomplishing the transfer. Accordingly, we will proceed ex parte and issue our interim order approving the transfer for the consideration stated to be effective immediately.

Findings of Fact

1. SoCalGas provides public utility gas service in many areas of southern California, and in the course of this business, operates gas transmission pipelines, including transmission line 85.
2. SoCalGas transmission line 85 includes a gas regulatory facility at Lake Station in Kern County.
3. In the vicinity of SoCalGas' Lake Station facility the area public utility telephone company has been Contel.
4. To provide a telemetering capability connection between its Lake Station facility and the nearest Contel system cable, in 1975 SoCalGas installed three pairs of 11,000 feet of buried telemetering cable.

5. It has since developed that SoCalGas finds itself without the equipment or expertise to properly maintain this connecting undergrounded cable, while Contel has both the equipment and the expertise.

6. As a consequence Contel is serving the SoCalGas station with Contel terminal equipment on SoCalGas cable, contrary to Contel's policy against interposing another company's cable between its cable and terminal equipment, a situation Contel now insists must end.

7. SoCalGas and Contel have agreed to transfer this SoCalGas-owned cable to Contel for a consideration of \$1.

8. The consideration negotiated between the two parties is just and reasonable under the circumstances.

9. There is no known opposition to the proposed sale and transfer.

10. It can be seen with reasonable certainty that there is no possibility that the sale and transfer of this facility may have a significant effect on the environment.

11. The sale and transfer of this facility would not be adverse to the public interest.

12. The transaction results in a loss of \$3,727.40 from recorded net book of the asset being transferred.

13. There is no reason to delay authorization for this sale and transfer.

14. The loss from net book value when incurred by SoCalGas should be held in a memorandum account pending further order by the Commission after resolution of the gain-loss issues in A.83-04-37.

Conclusions of Law

1. Public hearing on this application is not necessary.
2. The application should be granted as provided in the following interim order.

INTERIM ORDER

IT IS ORDERED that:

1. Within 6 months after the effective date of this interim order, Southern California Gas Company (SoCalGas) may sell and transfer to Continental Telephone Company of California (Contel) the buried telemetering cable set forth in their August 20, 1984 agreement attached to this application.

2. Within 10 days of the actual transfer, SoCalGas shall notify the Commission's Evaluation and Compliance Division in writing of the date on which the transfer was consummated, and a true copy of the instrument of transfer shall be attached to the written notification.

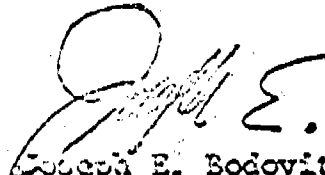
3. Within 10 days of the actual transfer, SoCalGas shall record the loss derived from this sale and transfer in an appropriate memorandum account and retain it in that account until further Commission order.

This order is effective today.

Dated OCT 17 1984, at San Francisco, California.

VICTOR CALVO
PRISCILLA C. GREW
DONALD VIAL
WILLIAM T. BAGLEY
Commissioners

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE
COMMISSIONERS


Joseph E. Bodovitz, Executive Director

the impairment of the public service by the transfer of utility property into the hands of anyone incapable of performing an adequate service at reasonable rates or upon terms which would bring about the same undesirable result (So. Cal. Mountain Water Co. (1912) 9 CRC 520).

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posture for both. For these reasons our consideration is restricted and we defer to the operational and managerial expertise of the utilities involved,² and rely upon the arm's-length nature of the transaction and the obviously beneficial end result to find the transaction to be in the public interest. Noting the circumscribed nature of the value of these buried lengths of telemetering cable, devoid as it is of any interest in real estate, franchises, permits, or operative rights, we accept the consideration being paid for it as being fair and just.

² As observed by the Supreme Court of California in Pac. Tel. & Tel. Co. v Public Utilities Commission (1950) 34 C 2d 822 at 828:

"Almost every contract a utility makes is bound to affect its rates and services. Moreover, the question whether a contract is reasonable is one on which, except in clear cases, there is bound to be conflicting evidence and considerable leeway for conflicting opinions. The determination of what is reasonable in conducting the business of the utility is the primary responsibility of management. If the Commission is empowered to prescribe the terms of contracts and the practices of utilities and thus substitute its judgment as to what is reasonable for that of management, it is empowered to undertake the management of all utilities subject to its jurisdiction. It has been repeatedly held, however, that the Commission does not have such power." (Emphasis added.)